5 ways to say good-bye to the traditional 3-way match ... and all its inherent inefficiencies.

Anything that can be done to streamline the invoice-handling process without increasing the risks of fraud and duplicate payment is a big plus for most accounts payable departments. If the restructure also reduces the amount of paper in the department, that's even better. The traditional three-way match is probably the biggest cause of both inefficient processing and the paper mountains that are common in some accounts payable departments. To help readers who are interested in reengineering their workflow with an eye toward developing a paperless office, MAP has identified five practices that will do just that.

Online Matching

By converting all paper (specifically POs, invoices, and receivers) to electronic documents, accounts payable can still do the three-way match while simultaneously eliminating paper. Documents that are not created electronically can be converted using imaging technology. If the company uses this workflow it can achieve a reengineered process that will greatly reduce errors and save processing time.
While this is probably the ideal solution to a streamlined paperless accounts payable department, it is not one that will be used by all. Even those with the latest technology will only be able to convert a portion of their work.

Evaluated Receipt Settlement

Recognizing that most of the problems that arise during the three-way match are due to errors on the invoice, some savvy professionals decide to eliminate what they see as an unnecessary step. If the PO is filled out completely and the receiver is checked closely when goods arrive on the receiving dock, what purpose does the invoice serve other than to cause problems? Companies that use evaluated receipt settlement (ERS) eliminate the invoice and do a two-way match. When the receiver arrives in accounts payable, it is matched against the PO and a payment is scheduled according to the prearranged terms shown on the invoice. If approvals are needed, the information is forwarded to the appropriate parties via e-mail. However, if the PO was approved before it was issued and the receiving department is accurate in its work, there really should be no reason for an approval.

Negative Assurance

Much time is wasted sending small-dollar invoices around for approvals. Often it is difficult to ascertain who ordered the goods, and the approver frequently neglects to focus on small-dollar invoices, leaving them for weeks on end. These are the invoices most likely to get paid twice as the supplier sends a second notice when the first is not paid. Thus, not only to eliminate the first problem but also to streamline the approval process, some companies use what is referred to as negative assurance to process low-dollar invoices.

With negative assurance, an e-mail is sent to the appropriate approver with a list of applicable invoices. The message states that unless the approver indicates otherwise, the invoice is paid on a date one to four weeks in the future. The specific date is given. If the approver doesn't contact accounts payable, the invoice is paid on the specified date. This eliminates the need to send copies of the invoice back and forth. Some companies image the invoice and send it along with the e-mail.
The dollar level at which negative assurance is used will vary from company to company. Some keep it relatively low, say, several hundred dollars, while others go much higher, to as high as $50,000. Companies usually start with a fairly low dollar level and then increase it as they get comfortable with the process.
There is one caveat with negative assurance. Companies that make many small-dollar duplicate payments are probably advised not to use negative assurance. It requires efficient processes with stringent controls. Additionally, it must be drilled home to the approvers that it

is imperative that they review their e-mails with invoice listings on a timely basis. Otherwise, invoices that should not be paid will be.

P-cards

One way to reduce the paper in the accounts payable department is to eliminate invoices wherever possible. Using p-cards for small-dollar purchases is good for this. The p-card is an especially important tool for companies that do not use e-invoicing, ERS, or negative assurance. Encourage employees with p-cards to use them for purchases wherever feasible. This may mean that whenever a small-dollar invoice is received in accounts payable it is reviewed to see if it could have been paid with a p-card. If the answer is yes, then the accounts payable manager can take one of several courses of action including:
* send it back to the purchaser with a note that it should be paid for with a p-card;
* send a note to the purchaser asking that next time a similar purchase is made, it be made using the p-card;
* start a campaign to educate all purchasers in the company about the benefit of using p-cards; or
* refuse to process the invoice, sending it back to the purchaser to figure out how to get it paid. Only do this if you are sure you have management support for this action and you have already carried out an educational campaign.

> Accounts payable professionals who use p-cards should be aware that a few companies that accept p-cards have difficulty suppressing the printing and mailing of invoices to customers who have already paid using the p-card. Any time an invoice shows up from such a vendor treat it with extreme caution. Has it already been paid for using a pcard? Duplicate payment auditors report an increase in such payments.

ACH Debits

A few hardy souls, including those that are captive customers of certain 800-pound gorillas, make use of ACH debits. This is not an approach for the faint-hearted or those that have a need to control everything. Here's how it works. When a vendor ships, based on prearranged terms, it then directly debits the customer's bank account for the funds owed. The customer (that's you) is notified of the purchase and the debit so it can update its records. Most suppliers would be happy to oblige customers who were in favor of direct debits; few customers are.

Conclusion

The techniques discussed all rely on a few common requirements. For starters, most necessitate good up-front controls. Good technology and communication between departments also helps. Without these control points, use of these tools can result in an increase in duplicate payments and an opening of the window that permits fraud.
As accounts payable becomes more analytical and companies look for ways to become more efficient and rely less on paper-intensive manual techniques for processing work, the traditional three-way match will become endangered. Study the approaches discussed above to see which will help you streamline your accounts payable processes and then adapt them to your organization's own requirements. They are the wave of the future.